

Hearing on International Financial Institutions
Committee on Financial Services
Rep. Maxine Waters
Statement for the Record
May 13, 2003

I would like to thank Chairman Michael Oxley for organizing this hearing on the state of the international financial system and international financial institutions. I am also grateful to the Honorable John Snow, the Secretary of the Treasury, for his willingness to testify before the Financial Services Committee today.

Access to Credit for Haiti

I am particularly concerned about Haiti and its inability to access international credit. Haiti is the fourth poorest country in the world. Half of the population of the country earns no more than \$60 per year. Haiti has an unemployment rate of about 60% and a literacy rate of only 45%. Only 40% of all Haitians have access to potable water. Tuberculosis cases in Haiti are ten times as high as those in other Latin American countries, and 90% of all HIV infections in the Caribbean are in Haiti.

The Inter-American Development Bank (IDB) is denying Haiti any access to loans for development assistance. Haiti has already had \$145.9 million in development loans approved by the IDB. These loans include \$50 million for rural road development, \$22.5 million for reorganization of the health sector, \$54 million for potable water and sanitation and \$19.4 million for basic education programs. Haiti could also qualify for an additional \$317 million in new loans for development projects, as well as a \$50 million investment sector loan. However, the IDB is refusing to consider Haiti for any additional loans and has not even disbursed the loans that have been approved.

The reasons provided by the IDB and the U.S. government concerning the suspension of lending and assistance to Haiti shift from day to day. None of the purported explanations provide any justification for withholding this vitally needed aid. While the IDB and the Administration dither, the people of Haiti suffer and continue to live in poverty.

On March 5, 2003, I introduced **H.R. 1108, the Access to Capital for Haiti's Development Act**. This bill would require the United States to use its voice, vote and influence to urge the Inter-American Development Bank to immediately resume lending to Haiti, disperse all previously approved loans, assist Haiti with the payment of its existing debts and consider providing Haiti debt relief. The Access to Capital for Haiti's Development Act would allow Haiti to build roads and infrastructure and provide basic education and health care services to the Haitian people. This bill currently has 26 cosponsors.

I hope that the Financial Services Committee will consider H.R. 1108 or other legislation addressing the financial needs of the Haitian people, and I also hope that the Treasury Department will urge the Inter-American Development Bank to immediately resume lending to Haiti.

Deeper Debt Relief for Countries

I am also concerned about the continuing burden of international debts on many other poor countries. The Enhanced Heavily Indebted Poor Countries (HIPC) Initiative was developed in 1999 to free impoverished countries from the burden of debts and allow them to invest their resources in HIV/AIDS treatment and prevention, health care, education and poverty reduction programs.

Unfortunately, the HIPC Initiative failed to provide a lasting solution to the problem of poor country debts, because the International Monetary Fund (IMF) and the World Bank refused to provide their fair share of debt relief. While the United States agreed to cancel virtually all of the bilateral debts owed by poor countries, the IMF and the World Bank are reducing these countries' debts by less than half. At least 18 of the 26 countries that have received debt relief are still spending more money on debt payments than they are on health care.

Zambia provides an excellent illustration of why deeper debt relief is necessary. Zambia is a deeply impoverished country with a per capita income of only \$330 per year. Almost 20 percent of the adult population is infected with the AIDS virus, and 650,000 children have been orphaned by AIDS. The HIV/AIDS epidemic has also ravaged the educational system by causing a shortage of trained teachers. Yet the IMF actually required Zambia to increase its annual debt service payments after its total debt stock was reduced. Moreover, Zambia still spends more than twice as much money on debt payments as it does on health care.

On February 5, 2003, I introduced **H.R. 643, The Debt Cancellation for the New Millennium Act**. This bill would urge the President to negotiate with the IMF and the World Bank to completely cancel 100% of the debts the world's most impoverished countries owe these institutions and give these countries a fresh start in the new millennium. This bill currently has 29 cosponsors.

I hope that the Financial Services Committee will consider legislation this year to expand the HIPC Initiative and provide complete debt cancellation to impoverished countries. It is time for the IMF and the World Bank to cancel these countries' debts once and for all.

Conclusion

I look forward to hearing the testimony of Secretary O'Neill at today's hearing, and I hope he will share his views regarding access to credit for Haiti and deeper debt relief for poor countries.

I thank the Chairman for the time.